

# Eastern Promise

Southeast Asia is increasingly a key to America's economic recovery



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Four decades after drafting a simple economic cooperation agreement, the 10 countries of the Association of Southeast Asian Nations (ASEAN) now boast a combined \$1.8 trillion GDP and economic growth of almost 6 percent this year. International trade with the 10 ASEAN countries—Cambodia, Brunei, Laos, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam—has doubled since 2003, and ASEAN has risen to become the United States' fourth-largest export market. This is especially telling given the turbulent global economy of the last few years, and bolsters

the 44-year-old trading bloc's status as the latest economic hotspot. "Not so long ago, [one economic community] would have been unthinkable," says David Carden, the first U.S. ambassador to ASEAN.

ASEAN's success is good news for the stagnant U.S. economy. ASEAN countries purchase \$70 billion of American-made goods annually, according to the U.S. Department of Commerce (DOC). Per capita, ASEAN consumers purchase nearly twice as many U.S. goods as Chinese consumers, and almost nine times as many as Indian consumers. According to the DOC, exports to ASEAN support over 435,000

U.S. jobs. "The countries of Southeast Asia are growing faster than American exports and investment can keep up with," says Alexander Feldman, President of the US-ASEAN Business Council.

With sluggish growth on their home turf, U.S. companies are taking advantage of these emerging markets, with a greater focus on commerce and trade. Just this year, the US-ASEAN Business Council's delegations—from corporate giants like Coca-Cola and Procter & Gamble—to ASEAN countries were the largest they've ever been; executives from 41 companies visited Vietnam, and 31 visited Indonesia.

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*A high-rise under construction in Ho Chi Minh City, Vietnam.*

“Companies forgot how sexy Southeast Asia is and they are rediscovering it,” Feldman says. “ASEAN has always been a strategic crossroads for global trade.” This month, in Bali, President Obama will be the first U.S. president to attend the East Asia Summit as the U.S. participates in the ASEAN-centric Asian leaders’ meeting for the first time.

Political stability is reassuring to foreign investors, and part of ASEAN’s draw. Access to a steady supply chain is key for companies that are increasing their presence in the region, says Christopher Lewis, North American head of trade and supply chain for HSBC Bank USA, N.A. in New York. Nearly everything—from Vietnamese-made textiles to Malaysian-assembled electronics—has become part of the global supply chain in the last 20 years, but there’s infinite room for growth, especially in less-developed ASEAN countries, Lewis points out. “Their population is young—these are aggressive economies with lots of opportunities for expansion,” Lewis says. About 50 percent of the trade bloc’s population is under the age of 30, compared to an average of only 35 percent in the West.

HSBC has offices in seven ASEAN countries. Vietnam—one of the fastest-growing U.S. trade partners—is a key focus for HSBC, which has 14 branches and offices there. As Vietnam becomes more interconnected, there are increased trade finance needs. HSBC is now one of the largest foreign banks in the country.

“This presence is important to HSBC’s Southeast Asia strategy,” Lewis says. HSBC helps companies with their commercial banking and trade finance needs in the region, and provides wealth management services to individuals. This year HSBC held its first ASEAN conference in Singa-

pore to connect companies in the region.

ASEAN uses a buzzword to describe these new developments on the corporate level: connectivity. In other words, countries are looking beyond traditional infrastructure like bridges, roads or ports to build out ICT capacity, financial and capital markets, the health-care sector and even energy. As the trade bloc focuses more on integration, there’s plenty of room for foreign investors, but attracting interest takes time. “Despite its grand vision, ASEAN understands that American investors will only respond to the connectivity initiative if they see the prospect of positive returns,” said David Carden, the first U.S. Ambassador to ASEAN, in his remarks at the June 3 Ambassadors Tour Dinner in Washington.

Some multinationals are seeing results from an increased regional presence. “The business environment in the ASEAN region is attractive,” says Evan Greenberg, CEO and Chairman of ACE Limited, a leading global insurance provider. “From a political and regulatory perspective, [the countries] are moving in a direction that provides greater certainty to business through improved regulation and legal infrastructure, and sounder economic policies.”

Insurers are especially key in the region, says Greenberg. Beyond protecting from physical losses, insurers’ investment management activities help countries meet larger economic goals. “Unlike banks,

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which invest short-term, insurers have long-term liabilities and invest their pools of capital into long-term projects such as infrastructure, which benefit the growth and vitality of the country,” Greenberg says.

Greenberg, who is Vice Chairman of the US-ASEAN Business Council, says that the U.S. government and American companies can be a stabilizing force in the region when considering competition from China, and is encouraging more investment. “ASEAN countries are concerned that American business is too focused on China and not paying enough attention to the opportunities the region represents,” he says.

But ASEAN is not just looking to the West for new trading partners. “Internal markets, the intra-regional market and trade with China are developing more rapidly, so growth is not as dependent on exports to the developed market countries,” ACE’s Greenberg explains.

Aside from trade, China’s growth is also seen as a plus for ASEAN because it has helped spur development throughout the region, points out HSBC’s Lewis. “As China becomes increasingly powerful economically, its domestic consumption will pick up. As the [Chinese] people gain greater purchasing power, they themselves will be sourcing from cheaper countries,” he says, adding that many ASEAN nations like Indonesia and Malaysia can step in with more affordable sourcing opportunities.

Of course, ASEAN’s greatest challenge is having one economic goal among a population of 600 million. “ASEAN has to figure out how they integrate these 10 countries that have enormous cultural and economic differences into a single economic community,” Feldman says.

While aiming for full economic integration by 2015, ASEAN is learning from the mistakes in Europe and the 1997 economic crisis in Asia. There won’t be a single-currency euro equivalent, but concepts like paperless customs clearance and a regional stock exchange will pave the way for easy transactions. “ASEAN is becoming a very important center for discussions on how the global architecture will pan out,” Feldman says. “It’s a place to which U.S. economic fortunes are inextricably tied.” ●

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